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MONTANA Industrial Horizons

STATE PLANNING BOARD Vol. 9, No. 4, 1964

Forest Products Industry Challenged By Times

Montana State University has just recently completed a report on "The Economics of the Montana Forest Products Industry" for the Upper Midwest Economic Study. The study was prepared by Dr. Arnold W. Bolle, dean of the School of Forestry at Montana State University, Missoula; Robert C. Harding, assistant professor of Business Administration at MSU; and William K. Gibson, MSU instructor in Forestry.*

- **The Montana Forest Products industry in 1962 produced more than four times as much lumber as it produced in 1939.**
- **Montana contains the largest remaining reserves of residual timber in the U. S.**
- **Lumber mills, particularly the larger ones, are increasing the amount of secondary manufacture in the state.**
- **Funds for capital investment have been scarce for the Montana timber industry.**
- **Marketing will continue to be one of the major problems facing the Montana forest products industry.**

The above statements were taken at random from the 81-page report.

The Industry

The study notes that the forest products industry in Montana consists of more than four hundred sawmills, six plywood and veneer plants, a pulp and paper mill, several pole-treating yards, some thirty or forty post yards, an active Christmas tree industry, and even a shingle mill. The major products are lumber, pulp and paper, and plywood.

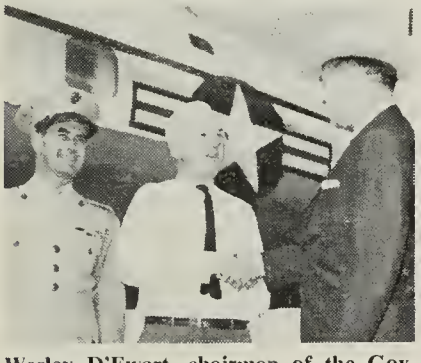
In terms of income generated, forest products is a leading Montana industry, although accurate income figures are difficult to determine. An estimated value of production places 1958 timber income at $104,489,000; in 1963 it was $149,763,000.

After World War II it was the major growth industry in Montana; in 1956 growth leveled off and the industry has remained at a relatively stable level since then.

Between the 1950 and 1960 censuses, the timber industry increased its employment by 45 per cent, from 4,711 to 6,813. Since 1957 employment has remained relatively stable; production has continued to rise but at a slower rate.

Growth of Montana's industry after 1946 came about largely through the migration of new mills into the state from the Pacific Coast region. Rising costs and scarcity of raw material supply caused mills to emigrate from that region. The availability of excess timber supply and the high price of timber at the time caused certain mill owners to select Montana, although a greater number moved to British Columbia.

The large mills are all in western Montana, at Libby, Columbia Falls, Pablo, Superior, Bonner, and Missoula. All of them have made extensive changes within the past five years either in modernizing their plants or adding new manufacturing lines, and have increased their capacity by almost 50 per cent.



Wesley D'Ewart, chairman of the Governor's Committee on Economic Studies, welcomed Kenneth E. Belieu, right, assistant Secretary of the Navy, and Lt. Col. Pat Hagerty, left, upon their arrival in Bozeman to attend the Western States Navy Research and Development Clinic.

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Problems of the Industry

The industry in Montana is peculiarly susceptible to the cycles of the national economy since it produces mainly for the housing sector. Certain parts of the industry are seasonal and, consequently, create problems of seasonal unemployment.

Montana is a marginal timber area in terms of the West Coast competition. The state's timber is smaller, grows on steeper slopes, and the profit margin is less.

Historic freight rates for wood products shipped to the East give Montana only a slight advantage over the West Coast, and West Coast ocean transportation also provides freight rate competition for transcontinental hauling. The area of favorable freight rates for Montana timber is generally west of Chicago and to the southeast.

Montana producers are generally insulated from their markets. Only a few of the larger mills have their own marketing organizations. Because of this insulation from the market, most Montana producers are production-oriented rather than market-oriented. As a result, mills may have a large lumber inventory and still be unable to fill orders for materials they don't have.

Much of the timber used by the industry is publicly owned, and the development of these timber areas for availability of supply is conditioned by the investment policies of federal and state agencies.

The Outlook

Long-run projections hold promise for a continuing increase in the nation's demand for forest products, but with continuing shifts between products.

The projection for pulp and paper is toward a continuing high rate of expansion. The success of Montana's lone pulp mill has created interest among other companies in establishing more pulp mills in the state. New technology in the pulp and paper industry makes it possible to

(Continued on p. 4)

Coal Resources and Use Conference

The Bureau of Mines and Geology at Montana School of Mines is sponsoring the first Montana Coal Resources Conference in Butte, October 9 and 10.

Dr. T. Reed Scollum, chief of the division of coal of the U.S. Bureau of Mines, Washington, D. C., will be the main speaker at the banquet Friday night, October 9.

The general theme of the program will be "What are Montana's coal resources and how can they be used to broaden Montana's industrial base?"

A copy of the program and registration material may be obtained by writing to the Bureau in Butte.

Booklet to Attract Space-Age Industries

The Montana Space Council has sponsored publication of a new booklet, "Montana . . . The Big Sky Country." The 32-page publication is a promotional effort aimed at interesting officials of scientific and technical industries in looking at Montana as a location for future facilities. It features public and private research facilities and educational institutions in the state, a few of the many industries which successfully benefit from the state's resources and progressive business climate, and stresses the wonderful western way of life enjoyed by citizens of the Treasure State.

The publication will be distributed by the State Planning Board and other development groups to a select list of contacts.

Publication of the booklet came about after a visit by Governor Babcock and Space Council members to NASA headquarters in Washington, D. C., last January. James E. Webb, director of the National Aeronautics and Space Administration, had visited Montana in October to study the state's possibilities in connection with selection of a site for a $50 million electronics research laboratory. Following his visit, he invited the Governor to come to Washington and brief aerospace officials on the potential Montana holds for location of future NASA installations.

Governor Babcock appointed a 16-man group to accompany him, which became known as the Montana Space Council. The Council compiled a file of pertinent information to help federal officials determine what part Montana might play in the space phase of national defense. In Washington, the members of the Council made an oral presentation of the information, but they were acutely aware of the fact that they had no suitable printed material to leave with the NASA officials. As a result, when the group returned to Montana they immediately began work on the preparation and final printing of "Montana . . . The Big Sky Country."

The State Planning Board distributed the booklet to participants at the Western States Navy Research and Development Clinic held in Bozeman in July, and copies will be sent to federal and private officials concerned with location of space-related and research oriented facilities.

Reichhold Plant In Kalispell

Reichhold Chemicals, one of the world's largest producers of synthetic resins, surface coatings, and industrial chemicals, has opened a plant in Kalispell. The Kalispell plant, which is the company's 26th domestic installation, will produce and distribute mostly adhesives for use in the plywood industry.

For interior plywood the Kalispell plant makes an adhesive consisting of a blend of soya flour, dried animal blood and chemicals. It is bagged in 100-pound sacks and shipped to the mills where it is mixed with water and additional chemicals for application to the wood veneers.

The exterior plywood adhesive is a synthetic resin made from phenol, formaldehyde, water and sodium hydroxide. It is cooked in large stainless steel kettles, with capacities of 40,000 to 60,000 pounds, under heat and pressure. The final product is a liquid with a viscosity similar to maple syrup. This is also mixed in the mills with water and other ingredients prior to being applied to the wood veneers. At the present time the resin is being produced at their Tacoma plant and then shipped to Kalispell in rail tank cars for storage and distribution. Alf Lauritsen, manager of the Kalispell plant, said that with the addition of new plywood plants and the proposed expansion of existing ones, there is a good possibility that they will be making the resins in Kalispell next year.

Sales area of the Montana company is western Montana and northern Idaho. At present they employ five people, and this would be increased to about 12 if the anticipated expansions take place.

The extensive line of other Reichhold adhesives and chemicals used by the expanding forest products industry in the Treasure State, as well as the chemical coatings, plastics and other industrial products of Reichhold, will also be distributed from the new Kalispell operation.

Lauritsen said they will produce and ship close to 10,000,000 pounds of adhesive annually.

E .M. Skytta, vice president and director of Reichhold operations in the Pacific Northwest, said "In keeping with our company's policy of making it where it's used, it is planned that from time to time other manufacturing facilities will be added to keep pace with and contribute to the industrial and economic growth of Montana."

State Manufacturers To Hold Trade Show

Montana manufacturers are being invited to display their products at the first annual Montana Industrial Week being planned by the Montana Manufacturers Association. L. H. Larison, president of the association, said that the purpose of this week is to call the attention of all Montanans to industries located in Montana and the products they manufacture.

Montana Industrial Week will be held in Helena in January. Plans call for a legislative banquet and trade show. Larison said all manufacturers and industries in Montana will be invited to display their products to the legislators and the general public.

The trade show will provide an excellent opportunity to familiarize Montanans with their local industries and will consequently help develop a stronger loyalty for products manufactured in Montana.

In the News . . .

Holiday Inn of America, Inc., has opened a new 110-unit motel in **Great Falls.** Special features of the million-dollar inn include a coffee shop, bar, swimming pool, and three banquet rooms to cater to groups of from 30 to 300. The inn will employ from 80 to 100 persons.

* * *

Congress has voted $60 million for construction of an additional squadron of 50 missile sites at Malmstrom Air Force Base out of **Great Falls.** This will mean an addition of between 1,000 and 1,300 military personnel to the Strategic Air Command at Malmstrom. Construction is expected to start in late fall.

* * *

The **Viking Lodge** was formally opened in September at **Whitefish.** The 42-unit motel is built on Whitefish Lake on the road leading to the Big Mountain ski resort and will be open the year around to cater to both summer and winter sports guests. The lodge has two wings branching from a central 2-story A-frame structure, two dining rooms, heated swimming pool, specialty rooms and docking facilities.

* * *

Two of the country's major copper producers have acquired nearly 30,000 acres in **Lewis & Clark County** for mineral exploration. Late in 1963 the **Anaconda Company** acquired mining claims involving about 6,000 acres. **Kennecott Copper** Corporation, through its subsidiary Bear Creek Mining Co., has claims on about 5,000 acres, an option agreement on about 4,000 more, and about 13,000 acres leased. The land involved centers in the Mike Horse Mine area near Rogers Pass.

* * *

Great Falls Breweries, Inc., of **Great Falls,** has expanded its trade area into North Dakota and Washington. Besides Montana, it has long been in Wyoming and Idaho. The brewery expanded its storage facilities three years ago and its refrigeration system two years ago.

* * *

Savings placed in **Montana** banks and savings and loan associations in the first half of 1964 increased $39.5 million over the last half of 1963, an increase of 6.9 per cent.

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Capitol Hill Shopping Center is under construction in **Helena** and is expected to be completed by December. Principal lessees will be the Hennessy Department Store and Albertson's Food Center. There will be 15 other stores, plus a number of smaller shops, for a total of about 23 business establishments.

Navy R & D Clinic a Success

Gov. Babcock, left, presents Dr. Wernher von Braun with a Montana Centennial western hat and Colt revolver, following the famous space scientist's banquet address on "Man to Moon —Why and How," a special feature of the Navy R & D Clinic.

Paul Wylie, right, managing director of the clinic, pictured with two former Montanans who attended the clinic: Robert W. Gunderson, left, from Havre, now on the staff of the Marshall Space Flight Center in Huntsville, Alabama; and Dr. Lysle A. Wood, center, from Terry, vice-president and general manager of the Aero-Space Division of the Boeing Co., in Seattle.

The Western States Navy Research and Development Clinic held at Montana State College in July wound up a tremendous success. The over 700 registrants were offered an excellent program covering a wide variety of subjects, and found a wealth of key industry and federal officials in attendance to buttonhole. Admiral William A. Schoech, Chief of Naval Material which sponsors the clinics, said it was one of the most successful ever conducted. In a luncheon address, Assistant Secretary of the Navy Kenneth E. BeLieu said that he was glad to see this section of the country taking part in the competition of ideas.

It was a friendly sort of meeting, and valuable contacts were possible over a casual cup of coffee. Many registrants were in Montana for the first time and agreed enthusiastically with Dr. Von Braun's comment, "Montana truly lives up to its name as The Treasure State. . . this visit has made me a permanent salesman of its uncluttered and majestic beauty."

Now Montanans responsible for getting the clinic into the state are pondering the worth of the $40,000 budgeted for the affair. Funds were contributed by the MSC Endowment and Research Foundation, the State Planning Board, and 95 Montana firms.

The September meeting of the Governor's Committee on Economic Studies, attended also by members of the Montana Space Council, was devoted to an appraisal of the clinic and follow-up suggestions.

Governor Babcock told the committee that he had received many letters from scientists, researchers and industrial personnel voicing high praise for those who conducted the clinic, for the hospitaliy extended by Montana people, and for the alert and obvious interest Montana had in the their work. "Most of these have predicted that future benefits are certain to accrue to the state as a result of the clinic," the Governor stated.

Other speakers agreed that the value of the clinic for Montana, in acquainting visiting industrialists with the resources of the state, was unquestioned. Of equal value was the opportunity given Montanans to acquaint themselves with the research market, which could have a great potential for the state.

Dr. Johnson, president of Montana State College, pointed out that the big industrial growth in the nation has been around institutions with capable research, and announced that the college, Montana State University, and Montana School of Mines are considering a unified research complex designed to attract and hold industry.

Dr. Johns, president of Montana State University, suggested an inventory to determine what we have to offer such industries as those represented at the clinic, and then carry the study through to determine what we want and what we need to get it.

Several other speakers suggested that the committee lend its support to considerations of additional state aid for research at the educational institutions.

It is estimated that research and development expenditures by the federal government and industry will reach $20 billion this year. Hosting the Western States R. & D. Clinic appears to have been a valuable means of assisting Montana to participate in this space-age activity.

Montana's First Lady, Mrs. Tim Babcock, left, was at the airport to greet Dr. and Mrs. Von Braun when they arrived.

FOREST PROD. INDUSTRY

(Continued from p. 1)

control water and air pollution far better than previously. In some cases they have been virtually eliminated. With such controls it appears likely that there will be further development of the pulp and paper industry in Montana.

Technological development in the small log areas could make the utilization of large volumes of timber economically feasible and so promote the growth of Montana's timber industry. However, the same technology would also make timber in the southern Rocky Mountain region profitable, and since mills in that area are closer to market, the increase in production might well move into the southern Rocky Mountain states rather than eastern Montana. The same relation between Montana and the southern Rocky Mountain states exists in pulp, but in the pulp industry water is an important consideration and Montana is better supplied with water for industrial use.

Those sectors of the industry which can make the greatest use of automation will expand at the expense of the others. Pulp, plywood, and particle board would therefore have the advantage over lumber.

The strength of any production area nationally will depend upon its continuing ability to compete with other regions. It is important that Montana's industry remain current with new technological developments, so that its level of efficiency is equal to that in other regions.

The trend toward greater integration in the large mills, either as independent firms or through combination with a large national company, will continue. Integration might also be accomplished by mergers between existing lumber, plywood, and perhaps pulp mills in the state. Medium mills, especially those which have developed a high level of efficiency in buying and delivering logs, production, and marketing of products, also will continue in a strong position. The number of small mills is not expected to change a great deal.

Unless provision is made for improving its management, there is sure to be a reduction in the supply of timber for Montana's industry. The effect may be almost unnoticeable, but it is likely to make itself felt in greater competition for logs and an increasing price in some areas.

Although the timber industry is a high-risk enterprise and credit for expansion will continue to be scarce and high-cost, successful operators will find credit sources. However, new industry, as well as major expansion is not likely to come from medium-sized mills but from the larger mills which have access to corporate financing.

Marketing is an area where some careful research might prove profitable. Distance from market will favor the use of regional brokers in the marketing process, at least for some time, but it appears to be in the best interests of the industry to break away from this arrangement as rapidly as possible. In other regions the smaller mills have formed partnerships with mills in the area or outside it which are large enough to have their own marketing organization.

The authors conclude that the forest products industry will very likely continue to be an important sector of the Montana economy with principal growth likely in pulp and paper.

*Copies of this report are available from Upper Midwest Economic Study, 969 Business Administration Bldg., University of Minnesota, Minneapolis, Minn. 55455.

COAL CONFERENCE IN BUTTE

October 9, 10, 1964

(See page 1)

Handbook for Small Mines Operators Published by MSM

The Montana Bureau of Mines and Geology at Montana School of Mines has just released a "Handbook for Small Mining Enterprises in Montana."

The book provides basic information in mining geology, engineering and economics for small mine operators.

The 220-page manual includes a chapter on each of the following subjects: geology for the small mine (underground and open pit); ore reserves; mineral and rock identification; ore analysis; mine methods and equipment; production costs; taxes and insurance; mine accounting; marketing of minerals and metallic ores; and mine financing.

Editor of the handbook was Uuno M. Sahinen, associate director of the Montana Bureau of Mines and Geology, assisted by professors F. N. Earll, K. S. Stout, R. I. Smith, F. H. Kelly, and W. A. Vine of the School of Mines; Dr. D. J. Emblen of the School of Business Administration at Montana State University; and G. G. Griswold, Jr., consulting metallurgist (deceased).

The Bureau hopes that by use of information contained in the handbook small mine operators can sustain or increase profits from mining properties now being worked and that it may perhaps aid in the rejuvenation of as many dormant mines as possible. Although the study is based on the economic environment of Montana, it would be of use to operators in any western mining state.

The report was partially financed by a grant from the Small Business Administration supplemented with Bureau funds, and was under the direction of the State Planning Board.

Copies are available from the Bureau of Mines and Geology, Montana School of Mines, Butte, Montana. Price $2.00.

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